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Summary of economic and social developments in the region of the Economic and Social Commission for Western Asia, 1994

SUMMARY

Economic and social developments in the region covered by the Economic and Social Commission for Western Asia (ESCWA) in 1994 were affected by several major factors, including a decline in international oil prices; continuation of the United Nations economic sanctions on Iraq; the Middle East peace process; and the armed conflict in Yemen.

The fall in oil prices precipitated a decline in oil revenues in most of the 10 oil-exporting ESCWA member countries, which in turn negatively affected the balance of trade and government budgets and obliged Governments to curtail planned expenditure. The continuation of the sanctions on Iraq have severely obstructed economic and social developments in the country for several years. In addition, countries that traditionally had strong economic and trade relations with Iraq, such as Jordan, continued to suffer from the negative effects of these sanctions in 1994. On the other hand, the signing of the peace treaty between Jordan and Israel on 26 October 1994 has so far resulted in the restoration of water and land to Jordan and an increase in tourism and tourism-related construction in that country. In addition, Jordan was granted some debt relief. The armed conflict in Yemen in May and June 1994 cost this least developed country billions of dollars in damage to infrastructure, in

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addition to human losses, and exacerbated the country's socio-economic problems.

After growing by an annual rate of 3.7 per cent in 1993, the aggregate gross domestic product (GDP) of the ESCWA region is estimated to have registered a negative growth rate of -0.4 per cent in 1994. This overall decline in GDP in the ESCWA region is mainly attributable to poor economic performance in the Gulf region. The countries of the Gulf Cooperation Council (GCC), whose economies remain greatly dependent on the contribution of their respective oil sectors, witnessed a negative growth of 1.7 per cent in their aggregate GDP in 1994. Among this group of countries, only Kuwait registered a positive growth rate in 1994 (4 per cent), while the other GCC members recorded negative growth rates ranging from -2.7 per cent in Saudi Arabia and -2.5 per cent in the United Arab Emirates to -1.0 per cent in Oman and -1.8 per cent in Bahrain. Meanwhile, the GDP of the more diversified economies of the region, excluding Iraq (for lack of data), is estimated to have registered a positive growth rate of 3.7 per cent in 1994, up from 3.4 per cent in 1993. Among this group of countries, Yemen (the region's least developed country) was the only country to register a negative growth rate (estimated at -1.5 per cent) in 1994. The other countries in this group achieved positive growth rates, ranging from 6.0 per cent in Lebanon and 5.7 per cent in Jordan to 3.8 per cent in Egypt and 3.5 per cent in the Syrian Arab Republic. It may be noted, however, that only Egypt's economy grew at a faster rate in 1994 than it had in the preceding year.

High unemployment rates continued to be a severe problem confronting most of the more diversified economies, particularly the economies of Yemen and the West Bank and Gaza Strip, where unemployment rates are estimated at 30 per cent. Unemployment rates are estimated at over 12 per cent in Jordan and over 15 per cent in Egypt. In addition, the problem of underunemployment is prevalent in many ESCWA countries, particularly those with dominant public sectors. Even in some of the GCC countries, many nationals are unemployed. The policy of replacing a portion of the large expatriate labour force with nationals has so far proven to be difficult to implement. It is estimated that expatriate labour currently represents 90 per cent of the total labour force in the United Arab Emirates; 83 per cent in Qatar; 82 per cent in Kuwait; 59 per cent in Saudi Arabia; and about 60 per cent in both Bahrain and Oman.

Inflation is another problem that continued to confront some of the more diversified economies in 1994, particularly Yemen, where the inflation rate is estimated at over 70 per cent, and Iraq, which suffered from runaway inflation. Egypt and Jordan, on the other hand, were able to continue their progress in reducing their inflation rates to the generally acceptable levels of 7.5 per cent and 4.2 per cent, respectively. In the GCC countries, the inflation rate remained subdued in 1994, ranging from 4.5 per cent in the United Arab Emirates to 0.6 per cent in Saudi Arabia.

As has been the norm for many years, countries with more diversified economies exported less than they imported in 1994, thus registering considerable trade balance deficits. Most of these countries depend heavily

on labour remittances to help finance the trade deficit gap. Egypt, with remittances in the range of $6 billion, was able to register a surplus in its current account in 1994, estimated at $2.8 billion. In the GCC group, most countries registered a surplus in their respective balance of trade. However, the outflow of remittances by expatriate workers and net payment for other services and transfers have resulted in current account deficits in 1994 in all GCC countries, with the exception of Kuwait and the United Arab Emirates, which are estimated to have registered a current account surplus of $5 billion and $720 million, respectively.

Efforts were made in most ESCWA member countries to narrow budget deficits and reduce them in relation to GDP in 1994. Among the more diversified economies, only Egypt and Jordan were successful in this endeavour. The GCC countries, witnessing continued declines in their government revenues, which are heavily dependent on oil revenues, curtailed government expenditure, primarily by postponing or cancelling planned projects. Since actual budget cuts were not sufficient to restore fiscal soundness, non-oil revenues were sought in 1994 in several GCC countries. Government subsidies were reduced and fees have been charged and/or increased for various government services.

As is the case in many developed and developing countries in the world, privatization is being undertaken in countries of Western Asia, albeit at a very slow pace. Governments are moving cautiously in privatizing public-sector companies, owing to their concern about the negative effects this process may have, at least in the short run, on both employment and prices and hence on social well-being. Egypt is leading the privatization process in the more diversified economies and Oman in the Gulf subregion.

In 1994, economic reform and liberalization programmes continued to progress steadily in several ESCWA member countries, most notably in Egypt, Jordan and the Syrian Arab Republic. Yemen, however, postponed the implementation of major economic reform and restructuring policies to 1995, as it attempted to first tackle the adverse socio-economic conditions precipitated by the two-month armed conflict in the country. In Egypt and Jordan, efforts continued to alleviate some of the negative social conditions exacerbated by the implementation of structural reform programmes. Endeavours to reduce unemployment and alleviate poverty by various social development funds, though commendable, have proven to be insufficient. Other specific measures and policies, as well as support from the international community, are needed.

Stock markets were rejuvenated in several ESCWA member countries in 1994. Plans to establish a stock market are currently being considered in both Lebanon and the Syrian Arab Republic. The Egyptian stock market performed extremely well in 1994, growing by 140 per cent in United States dollar terms. Given the successful economic liberalization programme and the expected acceleration of privatization, similar performance is projected for 1995. In the light of current globalization and privatization trends, the need for a developed and integrated regional stock market is rapidly becoming more apparent.

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I. OVERALL ECONOMIC PERFORMANCE

1. Overall economic performance in the region covered by the Economic and Social Commission for Western Asia (ESCWA) declined sharply in 1994, owing mainly to the recession experienced by the Gulf Cooperation Council (GCC) countries. 1/ Economic activity, as measured by gross domestic product (GDP) in the region, excluding Iraq, is estimated to have recorded a negative growth rate of -0.4 per cent in 1994, down from a positive growth of 3.7 per cent in 1993. This negative performance came about despite the noticeable improvement in the international economic environment, as reflected in the continued robust growth in the United States economy and the end of the recession in Western Europe. The general improvement in the world economy did not spill over to the ESCWA region in 1994, owing mainly to modest growth in world oil demand, the continued downward trend in oil prices and trade barriers facing the industrial exports of the region, particularly petrochemicals. Moreover, at the regional level the continued depressed state of regional cooperation, continued United Nations economic sanctions on Iraq and the armed conflict in Yemen were additional constraints on economic growth in 1994. However, measures to contain fiscal imbalances and intensified efforts to implement economic reforms, including a more prominent role for the private sector, have continued in 1994. With more emphasis given to streamlining fiscal policies, government expenditure has been cut, hence reducing public investment and contributing to the contraction in economic activities, particularly in the GCC countries.

2. In the GCC countries, the recessionary trends that started in 1993 became stronger in 1994, where the combined GDP of this group of countries is estimated to have registered a negative growth rate of -1.7 per cent, down from a positive growth of 3.8 per cent in 1993. Economic activities in the GCC countries have been affected by the 2.4 per cent decline in oil revenues, the cut in public spending and the continued repercussions of the Gulf war, which led to fiscal imbalances in most countries of this group.

3. Bahrain's economy slowed down considerably in 1994, with GDP growth falling from positive 4.6 per cent in 1993 to negative -1.8 per cent. The cut in public spending, lower oil revenues and a cut in grants from neighbouring countries, particularly Saudi Arabia and Kuwait, were the main factors behind the contraction in economic activities, despite the improvement achieved in exports of aluminium, which benefited from the rise in world prices.

4. There was a sharp drop in economic growth in Oman in 1994. Aggregate GDP is estimated to have recorded a negative growth rate of -1 per cent, down from 4 per cent in 1993. A drop in oil revenues and a contractionary fiscal policy, reflected in a 10 per cent cut in public expenditure, were the main factors behind the decline in economic activity in 1994. The economy of Qatar continued to perform poorly in 1994, registering a negative growth rate of -2.0 per cent, owing to both an estimated 5 per cent drop in oil revenues and reduced public spending.

5. The economy of Kuwait continues to suffer from the negative repercussions of the Gulf crisis of 1990-1991, as reflected in the ongoing repair of vital services and industries and the sharp increase in defence expenditure. The

economy slowed down considerably in 1994, achieving a growth rate of only 4 per cent, down from 22.6 per cent in 1993, owing mainly to a large budget deficit that led to abrupt cuts in public investment and to the completion of essential repair and reconstruction of damaged facilities.

6. Saudi Arabia's economic performance in 1994 was negatively affected by a cut of approximately 12 per cent in public expenditure, a 4.3 per cent drop in oil prices and a 0.6 per cent decline in oil production. These factors led to a contraction of economic activity during 1994 despite the continued strong performance of the private sector. The cut in public expenditure has especially affected the construction and agricultural sectors, the former owing to a freeze on new government projects and the latter owing to a reduction in government subsidies. Preliminary estimates point to a negative growth rate of -2.7 per cent in 1994, down from a positive 1.6 per cent growth rate in 1993.

7. In the United Arab Emirates, GDP is estimated to have registered a negative -2.5 per cent growth rate in 1994, compared with a positive growth rate of 1.0 per cent in 1993. This was attributed to a 3.5 per cent decline in the oil sector, which contributes 37 per cent of GDP, and zero growth in public spending. It occurred despite continued improvement in both the non-oil sectors, particularly the construction and manufacturing sectors, and re-export activities, which are estimated to have achieved a 5.6 per cent growth rate in 1994.

8. In the more diversified economies, 2/ the expansion of 1993 continued in 1994. The combined GDP of this group of countries registered a 3.7 per cent growth rate, compared with 3.4 per cent in 1993. The highest growth in this group was estimated to have been achieved by Lebanon (6.0 per cent), followed by Jordan (5.7 per cent), Egypt (3.8 per cent) and the Syrian Arab Republic (3.5 per cent). This group of countries demonstrated a better overall performance than the GCC countries in 1994, owing to the more diversified nature of their economies, which are relatively less dependent on the oil sector even though both Egypt and the Syrian Arab Republic are oil-exporting countries. Moreover, the continued improvement in the economic situation in this group was mainly due to the improved performance in agriculture and tourism in Egypt and the Syrian Arab Republic; construction and tourism services in Lebanon and Jordan; and increases in workers' remittances in both Jordan and Egypt. Containing the fiscal deficit in Egypt and Jordan has contributed to the general improvement of economic conditions in those countries and has precipitated, particularly in Egypt, an increase in the inflow of private capital.

9. In Egypt, the economy is estimated to have achieved a 3.8 per cent growth rate in 1994, up from 1.8 per cent in 1993, boosted by growth in the agriculture, tourism, construction and services sectors. Remittances also increased in 1994 to $6.16 billion, up from $5.9 billion in 1993, while the number of tourists increased by 3.3 per cent, reaching 2.5 million. As a result of the stabilization programme, budget deficits have been curtailed, narrowing to only 2.6 per cent of GDP during the 1993/94 fiscal year, down from more than 20 per cent before the initial implementation of the structural adjustment programme in 1991. The economy was also helped by the debt cancellation granted as part of the economic reform programme; however, further debt cancellation has been delayed by the disagreement with the International Monetary Fund (IMF) over

the proposed devaluation of the Egyptian pound. Moreover, streamlining of fiscal and monetary policies has helped to both reduce inflation and stabilize the currency, hence inducing an inflow of capital from abroad. The Egyptian Government has initiated a long-term development strategy for the development of Upper Egypt, where unemployment and poverty levels are the highest in the country.

10. In Jordan, GDP is estimated to have grown by 5.7 per cent in 1994, compared with 5.8 per cent in 1993. The signing of a peace treaty between Jordan and Israel on 26 October 1994 resulted in the restoration of water and land to Jordan and an increase in tourism activities and tourism-related construction. However, the construction sector as a whole, which boomed after the Gulf war owing to the return of 300,000 expatriates from the Gulf, grew by only 4.2 per cent in 1994, after registering growth of 12 per cent in the previous year. The economy benefited from an increase in both remittances ($1.3 billion, up from $1.0 billion in 1993) and a 16 per cent growth in exports. In addition, external debt cancellation and/or debt rescheduling by the United States of America and some European countries have reduced Jordan's debt-servicing burden.

11. The Lebanese economy continued its trend towards robust growth despite a slight slow-down, with GDP growing by an estimated 6.0 per cent in 1994, compared with 7.0 per cent in 1993. Economic growth in 1994, as in the previous three years, was led by the construction boom to rebuild the country after years of civil strife and repair vital services and industries, as well as by growth in the agriculture and tourism sectors. Work began on a project to rebuild the Beirut city centre, covering an area of 1.8 million square metres at an estimated cost of $475 million. The Government of Lebanon issued its first Euro-bond worth $300 million, which was later increased to $400 million in response to massive oversubscription. Proceeds from the bond are to be spent mainly on infrastructure projects. Both the improvement in the political climate and reconstruction projects attracted large inflows of foreign capital and thus helped to stabilize the Lebanese currency, which appreciated by 3 per cent versus the United States dollar in 1994. The tourism sector continued to recover, with revenues reaching $500 million in 1994.

12. In the Syrian Arab Republic, economic growth is estimated at 3.5 per cent in 1994, compared with 3.9 per cent in 1993. Economic growth was supported by the agriculture, tourism and oil sectors, as well as by the inflow of private capital induced by investment law No. 10 of 1991. However, the stabilization of oil production at around 575,000 barrels per day (b/d) in 1994 and the 4.3 per cent decline in oil prices reduced oil revenues. Moreover, the economy is still confronted with several major problems, namely inflation, underemployment and a large external debt.

13. In Yemen, the region's least developed country, the economy suffered from a deep recession in 1994, which was exacerbated by armed conflict and a drop in public investment, precipitated by high inflation and unemployment rates. The non-oil sectors, particularly agriculture, performed poorly in 1994. GDP is estimated to have recorded a negative -1.5 per cent growth rate in 1994, down from a positive 2.1 per cent growth in 1993. The economy is in need of a stabilization programme to reduce macroeconomic imbalances: both fiscal deficits and inflation must be contained to stabilize the country's currency,

which plunged to about 100 rials to the United States dollar in the parallel market from 12 rials to the dollar (the official rate).

14. In the West Bank and Gaza Strip, the economy plunged into a recession in 1994, owing to reduced tourism revenue, the repeated closure of the territories by the Israeli authorities, a drop in aggregate demand owing to high unemployment rates, and an inflow of economic aid lower than that agreed upon after the signing of the Declaration of Principles on Interim Self-Government Arrangements (A/48/486-S/26560, annex). GDP, which had been estimated to grow by 2.1 per cent in 1993, is expected to have declined in 1994. The stalemate in the peace process has also discouraged the inflow of private capital to the territories, in addition to the continued drop in workers' remittances. High unemployment remains a serious problem in the West Bank and Gaza Strip, owing to high population growth rates, the repeated closure of the territories, the return of expatriates from the Gulf and economic recession.

15. The main objectives of the economic reform programmes currently under way in the region are to correct macroeconomic imbalances; streamline financial policies; mobilize domestic savings through a more efficient mobilization of domestic resources; upgrade domestic skills; and establish or develop financial markets. Despite the fact that economic reforms have been debated for some time in the region, they were only brought into the forefront of the economic agenda during the late 1980s, in particular after the Gulf war. With lower oil revenues and an increase in military spending precipitated by the war, member States, particularly the GCC countries, faced huge budget deficits. This situation has accelerated the implementation of economic reforms to correct fiscal imbalances by both cutting public spending and raising revenues. However, despite the fact that economic reforms, particularly privatization, have gained momentum in the region in 1994, the process can still be described as modest. Many countries in the region have pursued economic reform policies in a cautious way in order to reduce and minimize their adverse social impact, as reflected in the high inflation and unemployment rates that are already causing problems, particularly in the more diversified economies.

16. In the GCC countries, several new economic measures were introduced in 1994 to reduce growing fiscal deficits. Oman was the first in this group to introduce corporate taxes in 1991, while Kuwait has decided to raise fees on electricity, water, telephone and health services in order to increase revenues and reduce the excessive use of those services. In the United Arab Emirates, among the new measures introduced in 1994 were increased fees and taxes on various services, including visa applications, airport taxes and fees on rental properties. However, a most noticeable development in this group in recent years has been the rapid growth of the non-oil sector, outpacing the performance of the oil sector, which has been hit by lower prices and production. With the exception of Bahrain and Oman, however, economic reform policies introduced in the GCC countries remained very limited in scope and slow in pace.

17. In the more diversified economies, both Egypt and Jordan are applying structural adjustment programmes in cooperation and coordination with IMF and the World Bank. The main objective of the structural adjustment programme in Egypt is to transform the public-sector-dominated economy into a market-oriented one. The main economic policy changes during the past four years have been the

decontrol and unification of the currency exchange rate, the liberalization of interest rates, and the cut in public spending to reduce the budget deficit. Moreover, since 1991 the Government has introduced treasury bills as a means to finance budget deficits instead of borrowing from the Central Bank, hence reducing excess liquidity in the market and concributing to the reduction in inflationary pressures on the economy. However, the implementation of the next stage of economic reform policies in Egypt has been delayed by the disagreement between the Government and the IMF on the currency devaluation and the pace of privatization. While the IMF argues that devaluation will lead to an increase in the country's non-oil exports, the Government believes that there is no need for a devaluation in view of its $17.5 billion international reserves and that while a devaluation would not necessarily increase exports, it would increase the cost of imports. The Government also feels that devaluation will lead to a surge in inflation and a loss of confidence in the Egyptian pound, which in turn may negatively affect transfers of remittances by Egyptian expatriates.

18. In the Syrian Arab Republic, economic reform policies have been pursued with great caution to avert a sharp rise in both inflation and unemployment, which are already major problems confronting the economy. In 1994, an additional package of economic reform was introduced, including the dismantling of export taxes, the gradual removal of foreign-exchange restrictions and further trade liberalization. Despite the fact that investment during the last four years focused on small-scale industries and services, particularly transportation, there is a tendency towards channelling investment funds to industrial fields, such as textiles, building materials, processed food, chemicals and pharmaceuticals. However, a lack of financial resources is one of the major problems facing the private sector and limited investment channels remain a major hurdle. Among the measures under consideration are the modernization of the banking system, the unification and liberalization of the exchange rate, the gradual elimination of subsidies and gradual price decontrol. Recently, the country opened the tourism sector to the private sector, involving joint ventures with the public sector.

19. During 1994, lower economic growth and reduction in fiscal deficits helped most countries in the ESCWA region to curb inflation. In the GCC countries, where inflation rates are traditionally low, with the exception of the United Arab Emirates inflation rates dropped in 1994 compared with 1993, owing mainly to restrictive monetary and fiscal policies, recessionary conditions and stable currencies. Inflation rates in this group of countries ranged from 0.6 per cent in Saudi Arabia and 1.0 per cent in Kuwait to 4.5 per cent in the United Arab Emirates in 1994.

20. Among the more diversified economies, Egypt and Lebanon have been most successful in combating inflation during the past few years. In Egypt, the inflation rate dropped from close to 20 per cent three years ago to about 7.5 per cent in 1994, owing to restrictive fiscal and monetary policies and the general stability of the Egyptian pound. In Lebanon, the inflation rate dropped sharply from about 100 per cent in 1992 to 9 per cent in 1993, before rising to 12 per cent in 1994 pushed by an increase in credit and a surge in capital inflow. In Jordan, the inflation rate also dropped to 4.2 per cent in 1994 from 5.4 per cent in 1993, helped by high interest rates and the ceiling on credit, which was lifted towards the end of the year.

21. On the other hand, in Yemen, where the armed conflict in mid-1994 aggravated the budget deficit and led to the depreciation of the local currency, inflation surged in 1994 to over 70 per cent, up from 55 per cent in 1993. In the absence of a stabilization programme, inflation will continue to be a major problem facing the economy. However, authorities are apparently hesitant to implement such a programme, owing to social and political considerations.

22. Iraq suffered from runaway inflation, precipitated by the continuation of United Nations economic sanctions, that led to a general crippling of economic conditions, including acute shortages in goods and services and the depletion of foreign-exchange reserves. The sharp depreciation of the local currency has aggravated the inflation problem in the country.

23. Unemployment remained a major problem facing the region, particularly in the more diversified economies. Owing to high population growth rates, lower economic growth and the implementation of economic reform policies, countries with more diversified economies have not been able to generate enough jobs to reduce their unemployment rates significantly. The fear of rising unemployment rates has been one of the major factors behind the slow pace of economic reform in most countries of the region. Yet unemployment may still increase in the short run with the implementation of economic reforms, which are associated with both cuts in public spending and privatization.

24. In Yemen and the West Bank and Gaza Strip, unemployment rates are estimated at 30 per cent in 1994. In Jordan and Egypt, preliminary estimates point to rates over 12 per cent in the former and over 15 per cent in the latter. The unemployment situation in the Syrian Arab Republic remains a problem, though the unemployment rate is officially estimated at only 5 per cent. In addition, the problem of underemployment is prevalent in many ESCWA member countries, particularly those with dominant public sectors.

25. Even in some of the GCC countries, many nationals are unemployed. The policy of replacing a portion of the large expatriate labour force with nationals has so far proven difficult to implement. It is estimated that expatriate labour currently represents about 90 per cent of the total labour force in the United Arab Emirates; 83 per cent in Qatar; 82 per cent in Kuwait; 59 per cent in Saudi Arabia; and about 60 per cent in both Bahrain and Oman.

II. SECTORAL DEVELOPMENTS

26. During 1994, the international oil markets remained relatively calm, with oil demand growing by a meagre 1.5 per cent over its 1993 level of 67.2 million barrels per day (mbd). World oil demand continued to be constrained by the drop in economic activities in the former Soviet Union, despite the growing demand in Western Europe, particularly Germany, the United Kingdom of Great Britain and Northern Ireland and the United States of America. Demand continued to show strong growth in Asia, particularly in China.

27. On the supply side, production increased from non-Organization of Petroleum Exporting Countries (OPEC) sources, particularly from the North Sea region. Non-OPEC supply increased by almost 1.5 per cent in 1994 to 41.2 mbd, up from

its 1993 level of 40.6 mbd. OPEC production averaged 24.97 mbd in 1994, representing a 1.2 per cent increase over its 1993 level of 24.68 mbd.

28. Oil production in the ESCWA region increased by 2.8 per cent in 1994 to an average of 15.97 mbd, up from 15.54 mbd in 1993, mainly as a result of the increase in oil production in Yemen, Iraq, Kuwait, Egypt and Oman by 51.0 per cent, 24.6 per cent, 10.7 per cent, 2.6 per cent and 3.9 per cent, respectively, and despite a slight fall in the production levels of Saudi Arabia and the United Arab Emirates by 1.15 per cent and 0.6 per cent, respectively.

29. After tumbling by more than 11.3 per cent in 1993 owing to weak world oil demand, oil prices continued their downward trend in 1994, falling by 4.3 per cent to an average of $15.6 per barrel, down from $16.3 per barrel in 1993. 3/ The oil price decline in 1994 may be attributed to the rise in non-OPEC oil production, generally stable world oil demand and continued improvement in energy efficiency. Oil prices in 1994 were $5.4 short of the OPEC reference price of $21 per barrel. Moreover, oil prices in 1994 reached their lowest level since 1988, when oil prices plunged to $14.24 per barrel, and remained lower in real terms than their 1974 level of $10.4 per barrel. This declining trend in oil prices resulted mainly from an increase in oil production by non-OPEC sources, lower than expected world oil demand and production over quota levels by some OPEC countries. Non-OPEC oil production in 1994 absorbed more than 75 per cent of the increase in world demand and hence prevented oil prices from rising.

30. Oil revenues in the ESCWA region are estimated to have declined in 1994 by 1.4 per cent to $74.3 billion, down from their 1993 level of $75.4 billion, despite the 2.8 per cent increase in production. Of the 10 oil-exporting countries in the region, only Kuwait and Yemen managed to increase their oil revenues by increasing production enough to compensate for the fall in oil prices. The continuous decline in oil revenues in the region has put heavy pressure on the financial situation in almost all ESCWA member countries and has thus negatively affected macroeconomic performance. For example, the 1994 oil revenues of the region's major oil-exporting countries, namely Saudi Arabia, Kuwait and the United Arab Emirates, represented only 38 per cent, 66 per cent and 65 per cent, respectively, of their 1980 level in current prices, while in constant prices that ratio was considerably lower.

31. Proven oil reserves in the region in 1994 fell by 0.7 per cent to 569.4 billion barrels, down from their 1993 level of 573.4 billion barrels, owing mainly to the 2.6 per cent drop in the proven oil reserves of Kuwait and 0.7 per cent drop in Qatar's proven oil reserves. The proven oil reserves of Oman and the Syrian Arab Republic rose by 2.7 per cent and 47 per cent, respectively, while proven oil reserves in the rest of the region remained unchanged. Proven oil reserves in the ESCWA region represented about 74 per cent of OPEC proven oil reserves and almost 57 per cent of the world total in 1994. Furthermore, proven oil reserves in the region can sustain the 1994 oil production level for another 98 years, compared with 85.1 years for members of OPEC and only 40 years for the world, which means that the importance of the region as an oil producer and exporter will grow in years to come.

32. The ESCWA region remained a large importer of agricultural products. The value of agricultural imports was estimated at US$ 15.4 billion in 1993, a 2.7 per cent increase over the previous year. The value of the food gap was estimated at US$ 10.6 billion, representing an increase of 2.6 per cent over 1992. The gap represented 28.5 per cent of the total food gap, compared with 33 per cent in 1992. The main importers of agricultural products in the region are Saudi Arabia, Egypt and the United Arab Emirates, whose imports represented 56.5 per cent of the ESCWA region's total imports in 1993. Egypt, the Syrian Arab Republic, Jordan, Lebanon and Saudi Arabia are the main exporters of some agricultural products, such as cotton, horticultural products and cereals.

33. The self-sufficiency ratio in cereals improved in 1993 as a result of increased production relative to consumption. Cereals production in the region in 1993 represented 61.4 per cent of total consumption, compared with 57 per cent in 1992, while the production of wheat represented 63.7 per cent of total consumption, compared to 58 per cent in 1992.

34. In Egypt, 1994 wheat production fell by an estimated 8 per cent to 4.4 million tons. The Government expects the country to produce three quarters of its total domestic requirements of wheat by the late 1990s. Imports of wheat and wheat flour in 1994/95 are forecast at 5.8 million tons, some 300,000 tons more than in the previous year, while imports of coarse grains (mainly maize) are expected to increase by 200,000 tons to reach 2 million tons.

35. Output of wheat and barley in Iraq in 1994 totalled 2.7 million tons. While the 1994 output was similar to the 1993 harvest, it represented an increase of 138 per cent over the 1989 level. This achievement was the result of both doubling the cultivated area from 1,500 hectares in 1989 to 3,000 hectares in 1994 and the increase in productivity per hectare. This performance is remarkable given the continued shortages in farm equipment and supplies.

36. In Jordan, production of cereals in 1994 is estimated at 82,000 tons, virtually unchanged from the previous year. Domestic cereal production normally covers about 10 per cent of the country's consumption requirements and the balance is imported, mostly on commercial terms. Imports of wheat and coarse grains in 1994/95 are projected to increase by 7,000 tons and 100,000 tons, respectively, to 720,000 and 670,000 tons.

37. In Lebanon, wheat production in 1994 is estimated at 40,000 tons, lower than the 1993 level and less than 10 per cent of total requirements. Thus, about 700,000 tons of cereals (mainly wheat) must still be imported in the year ending June 1995.

38. In Saudi Arabia, the 1994 wheat output is estimated at 2.2 million tons, or 38.8 per cent less than that of 1993, owing to new measures introduced by the Government to reduce the wheat-planted area in favour of barley. Restrictions on wheat production and marketing were imposed for the first time in 1994; large commercial agricultural firms were given production quotas well below their previous level of production. Production of barley in 1994 is expected to increase by about one third to reach 1.5 million tons.

39. In the Syrian Arab Republic, as a result of the large cultivated area and favourable weather conditions, production of wheat in 1994 is estimated at 3.64 million tons, similar to the previous year's harvest, which enabled the country to become self-sufficient in wheat. The output of the barley crop is estimated to be about 100,000 tons lower than that of the previous year.

40. In Yemen, the recent armed conflict has aggravated the already precarious food supply situation. In some areas, crops have been neglected and summer and fruit crops were not irrigated, causing a total loss of production. The import requirement of cereals in 1994, mainly wheat, is estimated at 1.7 million tons, an increase of about 10 per cent over 1993.

41. Most ESCWA member countries introduced some privatization measures in marketing and trade of agricultural products as part of a broad policy shift towards market liberalization and reform, yet wheat-price support policies are being maintained in most countries. All countries have subsidized consumer purchases of wheat, flour and bread, which has helped transform the region into a mature wheat market where per capita consumption is among the highest in the world. In some countries, recent policy reforms included reducing or eliminating consumer subsidies for staples, including some types of bread.

42. Five ESCWA member countries have signed the final act of the Uruguay Round multilateral trade negotiations, namely, Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates. Efforts are being made by member countries to minimize the negative impact of the General Agreement on Tariffs and Trade (GATT) agreement, particularly in areas of textile exports and food imports. Since most of the ESCWA countries are food importers, the implementation of the GATT agreement will result in higher food import bills due to restrictions on agricultural subsidies. For example, to reduce the negative impact on its 1994/95 wheat imports, Egypt imported in 1994 about 5 million tons from its 1994/95 total wheat requirements before the end of 1994, thus saving about 471 million Egyptian pounds.

43. The manufacturing sector in the ESCWA region witnessed a poor performance on the whole in 1994, with manufacturing income contracting by an average of close to 1 per cent, down from 1.5 per cent in 1993. This was mainly due to the deterioration in economic and manufacturing conditions in Iraq, caused by United Nations economic sanctions. Elsewhere in the region, manufacturing activities experienced a slow-down in 1994, influenced partly by faltering overall economic activity in many countries as a result of the continued weak oil markets, the slow pace in the implementation of economic reforms and slow progress in the peace process. Growth in manufacturing income, excluding Iraq and the West Bank and Gaza Strip, averaged around 1.5 per cent in 1994, down from 3.5 per cent in 1993. In Iraq, manufacturing activity is estimated to have contracted by 24 per cent in 1994. In the West Bank and Gaza Strip, the slow-down in overall economic activity in both 1993 and 1994 had negative effects on manufacturing investment and demand for domestic manufactured goods.

44. Modest expansion in manufacturing activities, excluding Iraq and the West Bank and Gaza Strip, is due mainly to the growth achieved by the private sector; additional efforts in GCC countries to promote non-oil private sector activities in manufacturing; and the progress achieved in reconstruction works in the

manufacturing sectors in Kuwait and Lebanon. Expansion in manufacturing was stimulated in some countries by increased activity in other commodity-producing sectors in response to increased demand for consumption goods in the domestic market.

45. In the GCC countries, growth in manufacturing income averaged around 2 per cent in 1994, compared with 2.5 per cent in 1993. The relatively low growth rates are mainly attributed to the low growth in oil-related manufacturing income. This was partly offset by the strong domestic non-oil private sector activities that began to expand following the end of the Gulf crisis and is expected to continue so in the coming years. While growth is expected to continue in such activities as food and beverages, it will slow down in sectors that are influenced by public sector expenditure, such as the construction industry. The performance of the export-oriented industries, particularly petrochemicals, plastics and metal products, will depend on the ability of manufacturers to benefit from better growth prospects in the main export markets as well as the gradual implementation of the GATT agreement. Nevertheless, despite the significant expansion in light industries in most GCC countries, which has indeed contributed to the growth of the manufacturing sector, expansion to the full potential of the sector continued to be restrained by restrictions imposed on petrochemical exports to the European Union (EU) and by difficulties facing Gulf producers in finding new markets.

46. In the more diversified economies apart from Iraq and the West Bank and Gaza Strip, overall growth in the manufacturing sector is estimated to have slowed down to about 1 per cent in 1994, compared with the 4 per cent recorded in 1993. However, growth performance varied from one country to another. In Jordan and the Syrian Arab Republic, the strong growth in the manufacturing sector was due to improved export performance of the phosphate and pharmaceutical industries in the former, and of the textile, garment and food industries in the latter. In the Syrian Arab Republic and Egypt, there were expansions in private-sector exports of manufactured goods, attributable mainly to the progress made, albeit at a slow pace, in economic reform, particularly in the Syrian Arab Republic. In Jordan, expansion in private construction activities and increased domestic demand continued to be an important contributor to the manufacturing sector.

47. Growth of the manufacturing sector in countries of the ESCWA region continued to be restrained by the lack of adequate investment and the inability to penetrate new export markets. In the short and medium terms, progress made in the implementation of the structural adjustment programmes, the lifting of United Nations economic sanctions on Iraq, improved oil prices and the degree of economic recovery in the GCC countries, improved regional cooperation, and progress in the peace process, are all important factors that will affect the course of manufacturing development and growth in the region.

48. The countries of the ESCWA region are undergoing an important transitional period, the outcome of which will have a profound impact on industrial growth prospects in the short and medium term. In this regard, success in introducing economic reforms, facing the economic challenges of a changing world environment, including the emerging giant economic and trade blocs, the conclusion of the Uruguay Round of multilateral trade negotiations, increasingly

rapid advances in the applications of high technology in industry, and the impact of the peace process on the region will all affect manufacturing prospects. Textile exports will face stiffer competition from other developing countries, particularly exports to the European Union (EU), where the region's textile exports currently have a duty-free access. Most manufacturing industries in the ESCWA member countries are not fully prepared to face the new global challenges. These challenges have arisen at a time when the economies of ESCWA member countries generally suffer from relatively weak and in some cases inefficient industrial sectors, while their manufacturing sectors are in many cases still recovering from the devastating effects of wars and civil strife.

49. The region's exports and imports (excluding Iraq and the Republic of Yemen) changed only slightly during 1993, since the region was affected by low oil prices, a slow-down in economic growth and continued economic sanctions against Iraq. Exports decreased by 1.3 per cent to $97.6 billion, while imports increased by 3.4 per cent over 1992 levels to $90.3 billion. The GCC countries accounted for $90.3 billion of total exports, which represented a decrease of less than 1 per cent over 1992 levels. The largest increase in exports in this group was witnessed by Kuwait, which registered a rise in exports of $3.8 billion (56.8 per cent) as oil exports continued to increase following the complete cessation of the Gulf war, followed by Bahrain with an increase of 6.5 per cent. Other GCC members reported declines that were led by 7.9 per cent in Saudi Arabia, 3.4 per cent in Qatar, 2.4 per cent in Oman and 1.6 per cent in the United Arab Emirates, mainly owing to lower oil prices. Other ESCWA members, namely the more diversified countries, witnessed a decline in exports of $1.1 billion (13.7 per cent), largely influenced by the substantial decline in Egypt's exports of $829 million (27 per cent) due to lower oil prices and limited oil production capacity. Increases, though mainly slight, were reported in Jordan (2 per cent) and the Syrian Arab Republic (1.7 per cent); Lebanon achieved a 12.5 per cent increase. Although data are not available for Iraq, its exports were subject to the terms of the economic sanctions and were therefore minimal.

50. The slight rise in the region's imports reflected an overall increase in the imports of the GCC countries of $2.1 billion (3 per cent) to total $70.1 billion in 1993. Saudi Arabia's imports constituted the bulk of GCC imports, totalling $34.2 billion, an increase of $839 million (2.5 per cent) over 1992 levels. Increases also occurred in the imports of the United Arab Emirates (12.1 per cent), Oman (9.2 per cent) and Qatar (6.2 per cent). These increases largely compensated for the decline in the imports by Bahrain of 10.3 per cent and Kuwait of 12.2 per cent. Kuwait's decline was due to budgetary constraints and cut-backs. The more diversified economies of the region witnessed a decrease in imports of $1.6 billion (7.5 per cent), with imports amounting to $20.2 billion in 1993. Declines in imports by Egypt (2.2 per cent) were offset by increases in imports by the Syrian Arab Republic (18.6 per cent), Jordan (8.7 per cent) and Lebanon (4.7 per cent). Though data is unavailable for Iraq, its imports continued to be adversely affected by the economic sanctions.

51. The region's ability to finance imports from its export proceeds, as measured by the export/import ratio, has been declining since 1991. The ratio for the region declined from 1.11 per cent in 1992 to 1.08 per cent in 1993. On

the group level, the ratio for the GCC countries dropped from 1.34 to 1.29, while that for the more diversified economies declined from 0.39 to 0.36.

52. Partial and preliminary data on the geographical distribution of trade for the first seven months of 1994 showed no major changes in the distribution of the region's exports and imports. Exports to developed market economies continued to make up the bulk of the region's exports, though they decreased on a relative basis from 51.6 per cent to 47.7 per cent, largely due to the decreased importance of exports to the EU by both the GCC countries and the more diversified economies. This continued the trend of a declining value in oil exports to EU countries since the 1980s, as a result of (a) policies by many EU countries to diversify their energy sources, (b) greater energy efficiency, (c) the recent slow-down in economic activity in Europe, and (d) the declining dollar value of oil imports from ESCWA member countries, owing to lower prices in 1993. Exports to the rest of the world increased during the first seven months of 1994, while intraregional exports remained relatively constant at 10.2 per cent.

53. The geographical distribution of imports by the ESCWA region showed a decline in the relative share of imports from the developed market economies from 68 per cent in 1993 to 61 per cent during the first seven months of 1994. This was made up by slight increases in the share of all other regions. Imports from the ESCWA region, however, remained relatively constant, recording only a slight decline from 6.9 per cent to 6.8 per cent. This level has remained lower than the pre-Gulf war level of over 10 per cent in 1989 and 1990.

54. The region's total current account balance (excluding Iraq, Lebanon, Qatar, the United Arab Emirates and Yemen) recorded a deficit of $7.7 billion during 1993, representing a significant improvement over the 1992 deficit, which was over $19 billion. The most significant change in the region was the increase in Kuwait's surplus by $7.2 billion, owing to increases in oil revenues and the completion of financial commitments incurred during the Gulf war. Saudi Arabia's current account balance also improved significantly, its deficit declining by $5.2 billion (26 per cent), also owing to a drop in its financial commitments incurred during the Gulf war. Of the GCC countries, only Kuwait recorded a surplus in its current account balance for 1993. Among the more diversified economies, Jordan reported an improvement in its deficit by 39 per cent, while the current account of both Egypt and the Syrian Arab Republic deteriorated in relation to 1992 levels.

55. As has been the norm for many years, in 1994 the value of the exports of countries with more diversified economies were less than the value of their imports, so that those countries registered considerable balance-of-trade deficits. Most of these countries depend heavily on labour remittances to help finance the trade deficit gap. Egypt, with remittances in the range of $6 billion, was able to register a surplus in its current account in 1994 estimated at $2.8 billion. In the GCC group, most countries registered a surplus in their respective balance of trade. However, outflow of remittances by expatriate workers and net payment for other services and transfers have resulted in current account deficits in 1994 in all GCC countries with the exception of Kuwait and the United Arab Emirates, which are estimated to have registered a current account surplus of $5 billion and $720 million, respectively.

56. The region's international reserves, which have been increasing since 1990, rose during 1993 by $4.4 billion (11.5 per cent) to total $42.3 billion (excluding Iraq, the Syrian Arab Republic and Yemen). The GCC countries' reserves, accounting for the larger share of the region's reserves, totalled $21.3 billion, a very slight increase over 1992 levels, while the more diversified economies showed a significant increase of $4.2 billion, bringing total reserves to $21 billion. Egypt's reserves increased by $2.1 billion (18.3 per cent). Jordan's reserves also increased significantly by $771 million (88.7 per cent), while Lebanon's reserves increased by $1.3 billion (28.5 per cent). Data for the first 10 months of 1994 indicate that the region's reserves continued to rise, albeit at a slower rate.

57. The increase in reserves and the slow growth in imports resulted in an increase in the region's reserves/import ratio from 5.1 months in 1992 to 5.6 months in 1993, indicating a somewhat improved ability of the region to provide for imports in 1993. Estimates for 1994 indicate that the reserve/import ratio increased further to approximately 5.9 months.

58. The external debt of the ESCWA region is estimated to have dropped from about $186 billion in 1993 to about $182 billion in 1994. Compared with other developing regions, the ESCWA region is seen as heavily indebted in terms of GDP (66.6 per cent), export of goods and services (214 per cent) and debt per capita. The latter is estimated at around $814, compared with $780 for Latin America and the Caribbean and $548 for sub-Saharan Africa.

59. The region's external debt had been expected to drop even further in the light of the forgiveness and rescheduling of a significant part of the external debt of a number of the ESCWA region's more diversified countries, namely, Egypt, Jordan, the Syrian Arab Republic and Yemen. However, the rise in the external debt of the GCC countries from around $95 billion in 1993 to over $115 billion in 1994 has not only eliminated those expectations but has also led to an increase in the region's debt-service payments from around $24 billion in 1993 to $30 billion in 1994, mainly because most of the GCC countries' debt is short or medium-term commercial debt bearing relatively high interest rates.

60. Fiscal developments in the GCC countries, particularly Saudi Arabia and Kuwait, were still affected in 1994 by the ramifications of the Gulf crisis and war, while the drop in oil revenues further burdened their budgets. To finance budget deficits, the GCC countries either continued drawing on their foreign reserves or resorted to domestic and foreign borrowing. To reduce the budget deficit in coming years, a number of GCC countries have introduced measures aimed at increasing revenues and reducing expenditure. In Saudi Arabia, the Government's decision to raise the prices of some utilities is seen as an indicator that domestic revenues are planned to play an important role in financing budget expenditure not only in 1995 but also as a long-term fiscal policy aimed at establishing a more diversified domestic revenue base.

61. Saudi Arabian budget expenditures in fiscal 1995 are expected to drop by about 6.3 per cent below revised levels of 1994 and revenues are expected to increase by over 12.5 per cent. In Bahrain, the oil revenues of the biennial 1995-1996 budget are projected to drop by around 40 per cent below the levels of the two preceding years, thus resulting in a budget deficit of almost twice

those recorded in recent years, despite a cut of around 5 per cent in expenditure. In Kuwait, the inclusion of defence expenditure in the budget for the first time resulted in a deficit in the 1994/95 budget by around 23 per cent above the deficit reported in the previous fiscal year. The federal budget of the United Arab Emirates for 1994 projected an expenditure of 17.6 billion dirhams (Dh) and revenues of Dh 16.2 billion, resulting in a deficit of Dh 1.4 billion. The federal budget for 1995 is planned to hold spending at about the same level as 1994.

62. The 1994 budgets of most ESCWA member countries with more diversified economies have been deflationary, with expenditures increasing at a rate below that of inflation, thus reducing expenditures in real terms. However, in 1994 Governments continued to look for alternative means to reduce budget deficits by increasing budget revenues through a reform of revenue-raising measures, such as the improvement of tax collection methods, and/or by reducing expenditures by cutting on subsidies or deferring debt-service payments. Putting the new approach in practice, Egypt's budget for the fiscal year 1994/95 envisages an increase of 8.4 per cent in expenditure against a 10 per cent increase in revenues over the previous budget. Jordan issued a balanced budget in 1994 for the first time, when current expenditure was planned to be covered by domestic revenues, while capital expenditure depends almost entirely on foreign sources (mainly aid and grants). Actual figures released recently, however, revealed a deficit of 156 million Jordanian dinars owing to unmaterialized external aid and grants. In the Syrian Arab Republic, the budget deficit in 1994 was expected to drop by 10.6 per cent below the deficit of 1993, with no grants or concessional loans being projected, as has been the case in previous years.

63. The difficult conditions of the banking sector in the ESCWA region resulted in most banks recording lower profits in 1994 and slower balance sheet growth than in 1993. Most of these conditions have resulted from a liquidity squeeze caused by increased government borrowing. Although the situation of the banking sector improved slightly in late 1994, significant improvement is not expected in 1995. The increased government borrowing from the banking system in many ESCWA member countries has crowded out the private sector, thus limiting its ability to participate in the Government's privatization efforts.

64. To counteract difficulties in the banking sector, a number of ESCWA member countries have been planning a restructuring of their banking sector (Jordan, Egypt, Kuwait and Lebanon) and/or have strengthened their central banks' supervisory capacity and monitoring control of banking activities (Jordan, Egypt, Kuwait and the United Arab Emirates).

65. Banks in the ESCWA region continued to retreat from the international markets to their home markets in 1994, following the more stringent application of the rules and regulations of the single European market by EU member countries.

66. Stock markets have been rejuvenated in several ESCWA member countries in 1994. Plans to establish a stock market are currently being considered in both Lebanon and the Syrian Arab Republic. The Egyptian stock market performed exceptionally well in 1994, growing by 140 per cent in United States dollar terms. In view of the successful economic liberalization programme and expected

acceleration of privatization, a similar performance is projected for 1995. In the light of globalization and privatization trends, the need for a developed and integrated regional stock market is rapidly becoming more apparent.

67. The economic outlook in the region for 1995 largely depends on international oil market conditions, the successful implementation of economic reform policies, the state of regional economic cooperation and progress in the peace process. Although indications are that world oil demand will be higher in 1995, oil prices are expected to remain at current levels owing to an expected increase in oil production from non-OPEC sources, particularly from the North Sea area. In addition, most countries of the region are adopting restrictive fiscal and monetary policies as part of their economic reform programmes, which are expected to affect economic growth adversely in the short run. On the other hand, the private sector in the region is expected to sustain the relatively fast growth it has achieved during the last few years. The contribution of this sector to economic growth in the majority of the countries of the region is expected to be enhanced by the ongoing implementation of economic reform programmes, whereby privatization is encouraged. If the current efforts under way to improve regional cooperation reach a successful conclusion, they will have a positive impact on regional economic growth and development. If significant progress is made in the peace process, the political and economic environments will improve, with tremendous positive effects on economic growth and development in Western Asia. Moreover, the lifting of the United Nations economic sanctions on Iraq will have a considerable positive effect on the economic situation in the country and will also help contribute to the economic growth of those countries that traditionally had strong economic ties with Iraq, particularly Jordan.

III. SOCIAL DEVELOPMENTS

68. The population of the ESCWA region was estimated at 145.4 million in 1994, representing 57.4 per cent of the population of the Arab world and 2.6 per cent of the world total. During the period 1990-1995, the population of the region is estimated to have grown by an average annual rate of 2.7 per cent. However, the average annual population growth rate varied from one country to another. The fastest growth rate was achieved by Jordan (4.9 per cent) and Yemen (5.0 per cent), owing mainly to the influx of returnees as a result of the Gulf crisis.

69. The crude birth rate for the total population of the ESCWA region during 1985-1990 was 35 births per 1,000 of the population, exceeding that of the developing countries (31 per 1,000) and - by a far higher margin - that of the more developed regions. During 1990-1995, the crude birth rate decreased to 34 births per 1,000 of the population, and is expected to continue decreasing slowly and steadily until it reaches 28 births per 1,000 of the population during 2005-2010 and 22 births per 1,000 of the population during 2020-2025.

70. The crude death rate for the ESCWA region, which was 8.5 deaths per 1,000 of the population during 1985-1990, declined to 7.4 deaths per 1,000 of the population during 1990-1995. The rate is expected to continue declining

steadily for each five-year period until it reaches 4.7 deaths per 1,000 of the population in 2020-2025.

71. The life expectancy at birth for the ESCWA region was 65.6 years during 1990-1995, which is higher than the world average (64.7 years). The highest life expectancy rate was achieved by the GCC countries. In Kuwait it reached 74.5 years, followed by Bahrain and the United Arab Emirates (70.4 and 69.9 years, respectively). In Yemen it is still 50 years. By 2020-2025, the life expectancy at birth is projected to increase in all countries but to remain highest in Kuwait (79.4 years), followed by Bahrain and the United Arab Emirates with 70.4 and 69.9 years, respectively, while in Yemen it is expected to reach 67.3 years.

72. During 1990-1995, the infant mortality rate for the ESCWA region was 56 deaths per 1,000 live births. However, in Yemen it was still above 100 per 1,000 (106 per 1,000), and in Egypt it was 57 per 1,000. In Iraq, infant mortality rates rose to dangerously high levels owing to shortages of food and medical supplies. Bahrain had the lowest infant mortality rate in the ESCWA member countries (12 per 1,000), followed by Kuwait (14 per 1,000). The infant mortality rate is expected to decrease slowly but steadily in all the countries of the ESCWA region, and by 2020-2025, it is expected to be highest in Yemen (39 per 1,000), followed by Egypt and Iraq with close to 20 and 19 per 1,000 respectively, while in Bahrain it will drop to 5 per 1,000.

73. All countries of the ESCWA region have started to realize the effects of rapid population growth, its linkages to socio-economic development and the high dependency ratios that result from the young age structure because of high fertility levels. In 1991, these countries were classified into five groups according to their perception of the level of population growth and whether intervention is required. The first group comprises those countries that view their growth rates as too high and have formulated explicit policies to slow them. Only Egypt has had such policies since the mid-1960s; however, although Yemen finds its population growth satisfactory, it has adopted a population strategy intended to reduce its fertility level. The second group comprises the United Arab Emirates and Jordan. These two countries consider their growth rates to be too high but they have no explicit policy in that respect, although Jordan is positively and effectively adopting a birth-spacing policy through an active family-planning programme. The third group, consisting of those countries that consider their population growth rates satisfactory, comprises Bahrain, Lebanon and the Syrian Arab Republic. The Syrian Arab Republic, however, has started preparing for the formulation of population policies: it is supporting family-planning activities that are directed to reducing the high rate of natural population growth and has issued some guidelines that reflect intentions for further action. Similarly, although Lebanon has no explicit policy, family-planning is widespread; moreover, Lebanon has achieved the lowest population growth rates, owing to lower fertility and higher emigration. The fourth group comprises Kuwait, which considers its population growth rate satisfactory but at the same time wishes to raise its fertility level. The fifth and last group comprises countries, such as Iraq, that desire to increase their growth rates by raising fertility levels.

74. Several ESCWA member countries have applied structural adjustment programmes to correct macroeconomic imbalances and transform public-sector-oriented economies into market-oriented ones. Concerned with the adverse social impact of these programmes, such countries have pursued them with caution in order to minimize their negative impact, particularly on unemployment. Several measures were taken to reduce the social impact of the economic reform policies being implemented in several countries, particularly Egypt and Jordan.

75. In Egypt, contractionary fiscal and monetary policies and reform under way in the public sector have resulted in the reduction of the number of public-sector employees from 1,078,379 in fiscal year 1990/91 to 1,013,667 in fiscal year 1991/92, a decrease of 6.4 per cent. This trend is expected to continue at the same if not a higher rate due to the privatization efforts that are taking place at present and also as a result of overstaffed public enterprises. The total number of lay-offs is expected to reach 380,000, or about one quarter of all public-sector employees by the end of SAP.

76. The decrease in government subsidies on social goods and services, such as basic food commodities, medical services, water and electricity, education and transport, have resulted in significantly higher costs and hence lowered the real income of the poor. To mitigate the heavy burdens of the poor, the Social Fund for Development (SFD) was established in 1991 as a temporary step to enhance structural adjustment programmes as well as to contribute to social well-being and protect vulnerable and low-income groups. SFD executes six programmes, dealing with public works, community development, enterprise development, employment and retraining, institutional development and public transport. Although all the programmes were created to attend to both the poor and the unemployed, they are not exclusively targeted at these two groups. Some programmes have more emphasis on the poor, while others are more geared to the unemployed. By mid-1994, SFD had contracted 165 projects that were able to create about 64,000 temporary and 153,000 permanent job opportunities, with total financing of 890.2 million Egyptian pounds.

77. Jordan has also taken steps to minimize the adverse social impact of the economic reform programme being implemented in the country. Protection of vulnerable groups from further social deterioration was foreseen in the programme: basic food subsidies for the poor were unaltered and a safety net comprising a fund for employment and development and a fund for national assistance was created in 1990 to assist the most affected vulnerable groups through targeting. However, the main problem that Jordan has faced and continues to face is the increasing rate of unemployed, especially among the poor.

78. Despite the efforts being made by these countries within their limited resources structural adjustment programmes are expected to have a short-term negative impact on unemployment and inflation and hence on poverty.

Notes

1/ Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

2/ Egypt, Iraq, Jordan, Lebanon, Yemen, the Syrian Arab Republic, and the West Bank and Gaza Strip.

3/ Average price of the OPEC seven crudes.

Socio-economic indicatbrs for the ESCWA region, 1992-1994

	1992	1993	1994
Gross domestic product (GDP) a/ at constant 1985 prices b/	265.0	274.8	273.7
GDP growth rate c/	6.8	3.7	-0.4
Population in the ESCWA region b/	120.2	123.0	126.3
Population growth rate c/	2.3	2.6	2.7
Per capita GDP d/	2 204.0	2 234.0	2 165.0
External debt a/	180.0	186.0	182.0
Debt service payment a/	16.2	24.0	30.0
External debt/GDP b/, c/	68.0	67.7	66.5
Exports a/, e/	99.4	97.6	..
Imports a/, e/	89.9	90.3	..
Balance of trade a/, e/	9.5	7.3	..
Current account balance a/, f/	-19.6	-7.7	..
International reserves a/, g/	37.9	42.3	42.5
International reserves/import ratio h/	5.1	5.6	..
Oil production i/	14.9	15.5	15.9
Oil revenues a/	78.1	75.4	74.3
Proven oil reserves j/	574.8	573.4	569.4
Proven oil reserves/total world oil reserves c/	57.7	57.3	57.0
Proven oil reserves/production k/	105.2	100.6	98.0
Natural gas reserves/total world c/	17.0	17.0	17.0
Agricultural imports a/	15.0	15.4	..
Agricultural exports a/	2.8	2.8	..
Agricultural trade balance a/	-12.2	-12.6	..

	1992	1993	1994
Crude birth rate in the ESCWA region l/	35.5	..	35.0
Life expectancy at birth k/	..	..	65.6

Source: Economic and Social Commission for Western Asia, based on national and international sources.

Note: Two dots (..) denote data are incomplete or are not available.

a/ Billions of United States dollars.

b/ Excluding Iraq.

c/ Percentage.

d/ United States dollars.

e/ Excluding Iraq and Yemen.

f/ Excluding Bahrain, Iraq, Lebanon, Qatar and the United Arab Emirates.

g/ Excluding Iraq, the Syrian Arab Republic and Yemen.

h/ Months.

i/ Millions of barrels per day.

j/ Billions of barrels.

k/ Years.

l/ Per thousand.